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TELEGRAM

February 26, 2004

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Subject: SCENESETTER FOR A/S WAYNE VISIT TO ABU DHABI FOR THE
IRAQ DONOR'S MEETING
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UNCLAS SECTION 01 OF 04 ABU DHABI 000503

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SENSITIVE

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [AF](#) [IR](#) [IS](#) [IZ](#) [TC](#)
SUBJECT: SCENESETTER FOR A/S WAYNE VISIT TO ABU DHABI
FOR THE IRAQ DONOR'S MEETING

SUMMARY

[1](#)1. (SBU) Assistant Secretary Wayne: We look forward to welcoming you back to the UAE for your February 28- 29 visit. In addition to the donor's conference, we have scheduled bilateral meetings for you with Minister of State for Finance and Industry, Dr. Mohamed Khalfan bin Khirbash, MFA Assistant Under Secretary for

Political Affairs, Abdullah Rashid Al-Noaimi, and Central Bank Governor Sultan Nasser Al-Suwaidi. In addition, it would be our pleasure to invite you to a reception that the Ambassador is hosting the evening of February 28 to mark your visit, the visit of Commerce Under Secretary Kenneth Juster, and an OPIC delegation. We will schedule a press availability for you with local media at which you can discuss the U.S. role in Iraq reconstruction and the excellent bilateral relationship.

¶2. (U) The UAE has the third largest economy in the Arab world. It also possesses between 9% and 10% of the world's proven oil reserves and the 4th largest reserves of natural gas. The overwhelming majority of these reserves are in the Emirate of Abu Dhabi. Despite this mineral wealth, the UAE has succeeded in diversifying its economy away from oil to a large degree. Only about a third of the GDP comes from crude oil. Unusually for countries in this region, the UAE has never completely nationalized its upstream oil industry. The individual emirates have majority control of the oil industry in each emirate, but international oil majors (including Exxon Mobil) are minority shareholders and bring their expertise to the table. The Emirate of Dubai has responded to its dwindling oil supplies to push for diversified growth and is the home of the largest and most successful free zone in the world, the Jebel Ali Free Zone. Abu Dhabi, in contrast, is still more dependent on oil for its economic growth, but is the only emirate in the UAE that has privatized its power and water sectors.

BILATS

¶3. (SBU) You will be meeting with the following individuals.

-- H.E. Dr. Mohammed Khalfan bin Khirbash, Minister of State for Finance and Industry. He is an American-educated technocrat (BU and Harvard) and has been the UAEG's point person on a number of high-profile issues, including the IMF/WB Annual Meetings in Dubai and on the UAE-USG TIFA negotiations. He will lead the delegation to the U.S. and sign the TIFA agreement with the U.S. He will be looking for an idea about a date for a TIFA signing (currently proposed for March 12 or 15) and will likely be interested in how quickly the UAE can move to FTA negotiations. You will want to let him know that UAE agency laws and labor laws are likely topics for TIFA meetings and that the UAE should be prepared to discuss them. (We believe that they will be the most difficult issues to resolve and are much less concerned about IPR where the UAE's record is excellent.) In addition, you will want to reinforce the message that the UAE will need to meet with key actors on Capital Hill, in the administration, and in the private sector in order to build support for a FTA.

-- H.E. Ambassador Abdullah Rashid Al-Noaimi, Assistant Under Secretary for Political Affairs at the Ministry of Foreign Affairs. He is another friend of the U.S. and one of the Embassy's main interlocutors on bilateral and multilateral political issues. As the MFA has taken the lead on a number of donor coordination issues, he is a regular participant in the weekly Iraq donors' calls. He and Dr. Khirbash are both very involved in the current donors' conference. You will want to thank him for the UAE's active support for Iraqi Reconstruction and the core group. You will also want to raise the issue of a UAE donation to the UN Trust Fund. Currently the UAE is not a member of the Donors' Committee and does not appear to be ready to commit the \$10 million required to join the committee.

-- H.E. Sultan Nasser Al-Suwaidi, Governor of the UAE Central Bank. He is another U.S.-educated official, with a bachelor's degree from San Diego State University. He is a regular contact of the Embassy and has been a tireless champion of the UAE's anti money laundering and anti terrorist finance efforts. He receives generally high praise from bankers here for his efforts and his commitment. Over the last few months, we have noticed that he has been increasingly "prickly" in his remarks to the press about cooperation with the U.S. Much of this can be traced to some negative press articles on the UAE financial system, one written by a New York Times reporter who was on Secretary Snow's traveling press squad during the IMF/WB Annual Meetings. Minister of State for Foreign Affairs Hamdan Bin Zayed Al-Nahyan and the Governor called on Treasury Secretary Snow in October to raise this issue. Secretary Snow's answer was that the article did not reflect the official U.S. view of the UAE. You will want to reinforce the message that Washington appreciates his cooperation. You will also want to note that you understand that Central Bank's cooperation with our law enforcement agencies has been excellent and vital. We know that the UAE is actively issuing search and freeze orders on suspicious accounts, but you may want to press for more information on their actions. You will also want to ask the governor about his plans to host the 2nd Hawala Conference and encourage him to do so.

Issues

14. (SBU) Trade - The UAE is very interested in negotiating a Free Trade Agreement with the U.S. As a first step, they negotiated a TIFA with us over the last several months. For our side, due to the importance of the bilateral relationship in a number of areas and due to the size and diversity of the UAE economy, we also want to push the process forward as quickly as possible and would like to see UG - UAE FTA negotiations begin before U.S. Presidential elections this November. The UAE is a significant trading partner, with a rapidly growing economy and U.S. business presence. As it has become the region's center for trade, banking, transport and tourism, a FTA with the UAE could advance the President's MEFTA goal by providing an attractive platform into which other regional states could "dock." We have recently concluded negotiations on an English language text for the TIFA and language services is working on reconciling the Arabic text (both texts are equally valid). The UAE has proposed to come to the U.S. for a signing ceremony on either March 12 or 15 and we are waiting to see if that will fit on Ambassador Zoellick's schedule.

15. (SBU) The clear preference here is for the UAE and the U.S. to pursue a FTA bilaterally rather than through the GCC. In that regard, the GCC Secretariat's proposal to initiate region-wide free

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trade negotiations with the United States has put UAE officials in the uncomfortable political position of having to support the GCC 'party line,' while at the same time, vigorously pursuing a bilateral TIFA and FTA agreement with Washington. We want to use the FTA to resolve some of the bilateral economic irritants that we have with the UAE, including restrictive agency laws and U.S. concerns about labor rights (especially the right of association). In contrast the UAE's record on IPR protection is excellent.

16. (SBU) Donors Coordination Issues - The two key interlocutors are MFA Under Secretary Al-Noaimi, who

has been the primary senior-level working person on the Iraq donors issue, and Dr. Khirbash, who led the UAE delegation to Madrid and will also chair the UAE's participation in this conference. As a member of the Iraq Core Donors's Group, the UAE has played an active role in providing humanitarian and reconstruction assistance to the Iraqis. The UAE pledged \$215 million at the Madrid Donors' Conference. Abdullah Rashid told the DCM in Early February that the UAE has disbursed this amount on humanitarian assistance and Siemens generators for four power plants. As of the end of last year, we had estimated that the UAE had provided \$80 to \$100 million in assistance to Iraq (including in-kind assistance) some of which was included in the \$215 million pledge. The problem has always been that the assistance is provided by different governmental arms and from the Emirate of Abu Dhabi, which makes it very difficult for anyone (including the UAE) to provide an accurate total. Despite their generosity, the UAE prefers to provide assistance bilaterally and has -- so far -- declined to pledge any money to the UN trust fund. The host of the conference, therefore, is not a member of the donors' committee. The UAE also committed to forgive most of Iraq's \$7 billion bilateral debt after meeting with Special Presidential Envoy James Baker. We would want to see the UAE continue its key role in Iraqi reconstruction and to encourage its support for multilateral efforts. We would hope your meeting and the conference would help us (and them) better understand how much assistance they have already given.

17. (SBU) The UAEG has maintained a robust assistance package to the Palestinians. With more than \$75 million in project assistance to Palestinians in the West Bank and Gaza since September 2000, the UAE has been a major Arab donor to the Palestinians since the Intifada began three years ago. In 2003, the UAE Red Crescent Authority gave \$11.8 million in humanitarian aid to the Palestinians, with development projects accounting for the lion's share (42 percent), and seasonal programs, such as Ramadan iftar meals and Eid Al Adha meat donations 20 percent. The efforts are carefully monitored and very much support our strategy to ensure that funds do not fall into the wrong hands.

18. (SBU) The UAE continues to play a very helpful role in Afghanistan, particularly in the provision of humanitarian and reconstruction assistance. UAE humanitarian and military programs in Afghanistan are ongoing, and we expect the final price tag to far exceed the \$150 million already spent.

19. (SBU) Cooperation on Anti Terrorist Financing: The UAEG has been very cooperative in the fight against terrorist financing. We continue to share information on exchanging records in connection with terrorist financing and other money laundering cases on an ad hoc basis. Although the U.S. Mission perceives that our relationship with the UAEG on money laundering and terrorist finance is close and cooperative, the UAE Central Bank Governor publicly criticized the United States at the IMF/World Bank meetings in September about failing to provide data, documents, and evidence on cases of suspected money laundering to the UAEG. Since September 11, the UAE has provided thousands of pages to the U.S. in support of investigations into the September 11 terrorist attacks. We want to ensure that the cooperation continues and that the UAE continues to share information with us. You will want to be prepared to answer the charge that the cooperation is all one way, with the UAE always providing information but receiving little in return. If this comes up, you may want to note that we have asked the Central Bank for a list of cases, where the USG has not provided information and will be happy to follow up on any cases for which the Central Bank

provides us with the information.

¶10. (U) The UAEG implemented a law to criminalize money laundering, to include terrorist financing, in January 2002. The Central Bank has circulated to all financial institutions under its supervision the lists of individuals and entities suspected of terrorism and terrorist financing included in UN Security Council resolutions. To date, the Central Bank has frozen a total of USD 3.13 million in 18 bank accounts in the UAE since 9/11. In 2002, the UAEG worked in partnership with the United States to block terrorist financing and froze the assets of more than 150 named terrorist entities -- including significant assets in the UAE belonging to the Al-Barakat terrorist financing group.

¶11. (SBU) Although we assess the formal financial sector in the UAE as being effectively controlled, the UAE is home to an unknown number of informal money remitters (known as hawala brokers). They are required to register with the Central Bank and about 100 have done so. So far, the Central Bank is trying to bring the hawala dealers in to the system "gently," but does have plans to seek out unregistered Hawala dealers in the future. The new attention on hawala is encouraging more people to use regulated exchange houses in the UAE. Traders in Dubai's Central Souk said hawala exchange rates are now only 3 percent cheaper than formal exchange houses, persuading many to use the formal, and more secure, banking network. We understand that the Central Bank plan to host another conference on Hawala in April and would be interested in learning how the planning is going.

¶12. (SBU) The UAEG carefully monitors registered charities in the country and requires the organizations to keep records of donations and beneficiaries. The Ministry of Labor and Social Affairs regulates charities and charitable organizations in the UAE. The UAEG is much more sensitive post-9/11 to the oversight of charities and accounting of transfers abroad. In 2002, the UAEG mandated that all licensed charities here interested in transferring funds overseas must do so via one of three umbrella organizations: the Red Crescent Authority, the Zayed Charitable Foundation, or the Muhammad Bin Rashid Charitable Trust. These three quasi-governmental bodies are properly managed, and in a position to ensure that overseas financial transfers go to legitimate parties.

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